

BRANDED VACATION RENTAL MARKET

OUTLOOK IN 2025

2025

A RESEARCH BY AXON DEVELOPERS IN PARTNERSHIP
WITH SKYE HOSPITALITY

Forewards



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The vacation rental market in India is growing at a spurred pace. This segment which prioritizes curated stay, has existed for many years. However, it was the lockdown period that saw a significant jump in demand for private homestays, villas and farmhouses. In a time, when mainstream hotels were not considered very safe, private villas offered exclusive and tailor-made stays, catering to a wide range of tourists. This saw the emergence of vacation rental and short stay market as a viable segment in the overall hospitality & tourism landscape.

In our study done previous year, the overall market was sized at USD 329.6 million in 2023. In 2024, it has grown at a notable pace of 46.8% in 12 months, reaching USD 483.7 million. This is higher than our previous estimates that pegged the market at USD 438 million. Our study has further revealed that the size of the branded rental villa market is slated to cross USD 1560 million in next 5 years in 2029, growing at a CAGR 26.4%.

Most of the major rental villa management companies such as Lohonostays, Saffronstays, StayVista are expanding aggressively, adding new properties in their portfolio all over India. Other brands such as Elivaas, Rentalgram etc are also growing at a commendable speed. Meanwhile hospitality brands such as IHCL Ama Stays and ITC Storii are deepening their foothold in the hospitality value chain by introducing boutique villas with bespoke services.

As per our study, which has been done in partnership with SKYE, a hospitality strategy consulting house, 2024 has seen a total addition of 550+ villas in the market supply, taking the total count to 1710. In the next 5 years, the volume of rental villas can reach over 5,000.

A growing vacation rental segment will also be intertwined with an upbeat second home market. India's second home market is sized at around USD 3200 million and is growing at a robust pace of 23% CAGR. Changed lifestyle, higher disposable income and emergence of new crop of well-heeled Indians are driving the demand for second homes, villas, farm houses and cottages across picturesque locations and tranquil suburbs.

As demand for curated stays will rise, investing in second homes and villas will unlock new streams of recurrent rental income. A well-managed villa property in a healthy tourist destination can easily be leased out for ~180 days a year, clocking high returns for the owner.

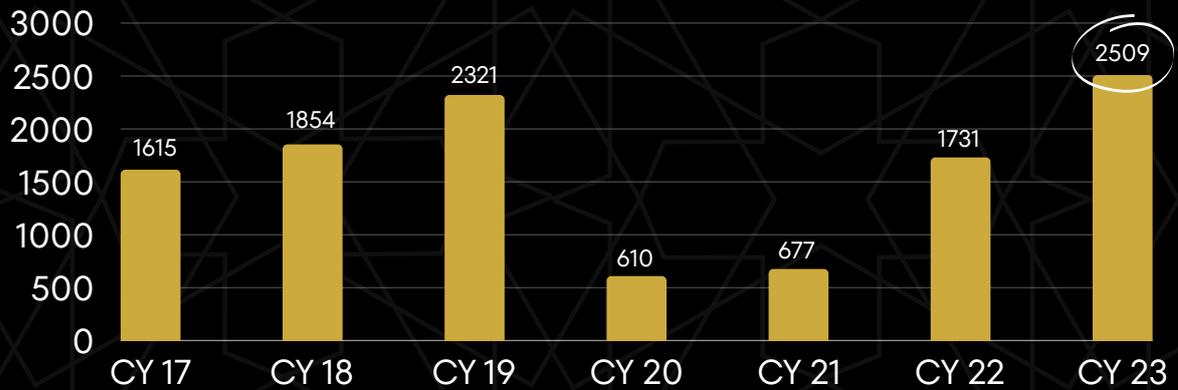
In the times to come, vacation rental market will continue to expand, playing a pivotal role in the hospitality, travel and real estate value chain. The growth will be multifaceted, emanating from both organic and inorganic approaches. While incumbent players will scale-up fast, there is ample headspace for new players to enter and grow. Technology will be a key growth enabler as businesses will adopt technology for seamless and faster marketing, customer acquisition and operations.

1.0

Overview of the Indian Tourism Industry

Total Domestic Tourist Volume in India (Million)

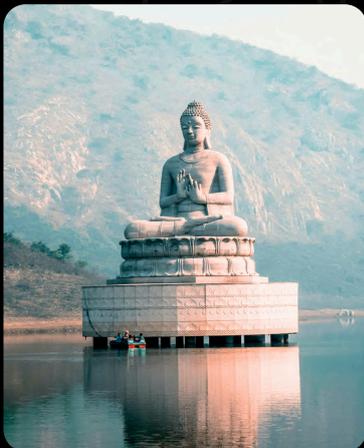
Source: Axon Analysis, SKYE Hospitality Analysis, Ministry of Tourism, WTTC



Indian tourism sector looks bullish with rise in domestic travel, MICE business, religious festivals and weddings. Both domestic and international tourism are on a strong footing. While international tourist inflow was muted till 2023, it crossed pre COVID levels by 2024. There is also a spike in other alternate forms of travel such as bleisure, medical tourism, wellness & healing, staycations, villacations, etc. which is further dovetailing the market in positive direction.

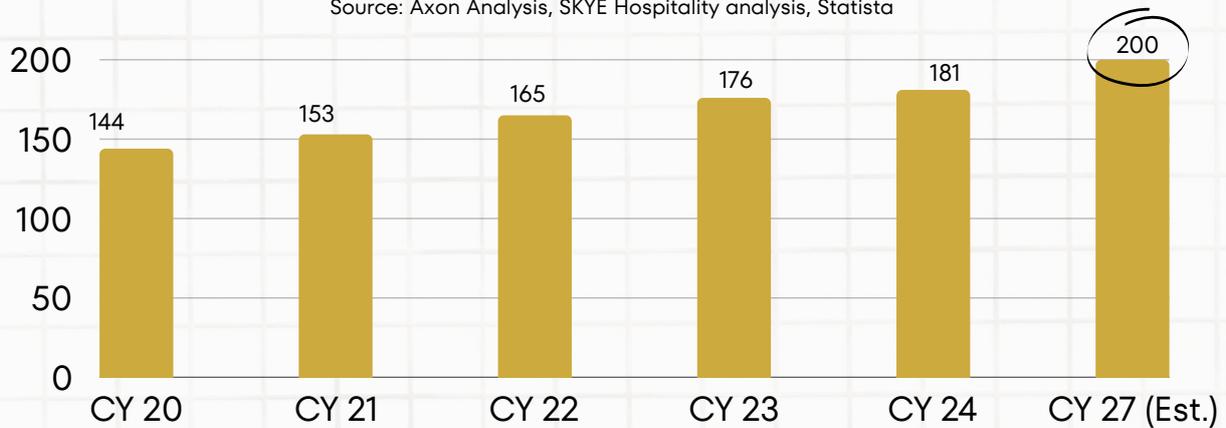
In the beginning of 2024, the total number of hotel rooms (upscale & premium) in India stood at 176,000 units. In the past 12 months, around 4830 rooms across 41 new projects, entered the markets space taking the total room supply to 181,000.

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Premium and upscale hotel room supplies in India (000)

Source: Axon Analysis, SKYE Hospitality analysis, Statista

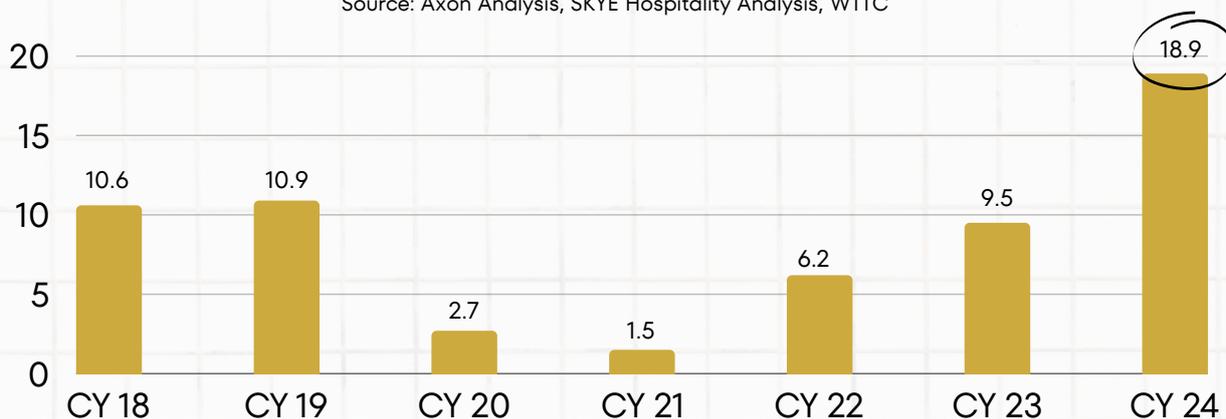


Strong macroeconomic fundamentals such as rise in income and a healthy job market has contributed to the tourism industry. Another factor has been a notable change in consumer perception. Pre COVID, number of vacations a household will take annually will be mostly pegged at 2. However, now it is more frequent for average households. Indians are now understanding the importance of taking regular breaks to recharge their batteries.

Evolving trends such as revenge travel, FOMO, YOLO are also adding to the vigour. The industry is benefitting heavily from the active participation of millennials and gen Z, for whom tours and travels are a regular part of the lifestyle.

Total international tourists arrival in India (Million)

Source: Axon Analysis, SKYE Hospitality Analysis, WTTC



Average occupancy in hotels were around 68-72% in 2024 with a RevPAR (Revenue per Room) of Inr 5300. Major hotel chains have registered healthy business with a

10-15% rise in commercial activities in the existing fiscal.

Average hotel occupancy in India (%)

Source: Axon Analysis, SKYE Hospitality Analysis, Statista



2.0

Indian Government Playing Pivotal Role

Indian government is playing a pivotal role in enabling growth in the tourism and hospitality sector in India. Government and development agencies understand the transformative power of the sector towards economy. They are taking proactive steps in the form of infrastructure upgrade, accessibility enhancement, capacity building to create a USD 1 trillion tourism sector by the year 2047.

Numerous programs have been introduced such as Swadesh Darshan, PRASHAD, Golden Pilgrimage Circuit, Bharat Gaurav Circuit and much more. Around INR 12,000 crores has been earmarked for programs like Swadesh Darshan and PRASHAD. Meanwhile Ministry of Tourism is prioritizing destination marketing with the help sending delegates to abroad, hiring representative agencies and creating compelling campaigns. Cultural fests, film & music fests, trade fairs, tourism expos, culinary events etc. are being organized all over the globe at a rampant speed to boost India's tourism outreach and enhance its image.

In the past 5 years, government has built infrastructure at a momentous pace. This has significantly improved the connectivity, bringing many remote areas in the mainstream. GOI has been building new long haul and short haul airports, train networks, highways, terminal ports, river cruises, etc. Similarly, it is investing in cable cars, high speed suburban transit systems, pilgrimage trains, eco resorts, forest lodges, etc.

In the recent budget as well, it has been announced to develop 120 new airports, under UDAN scheme. This will further enhance the connectivity, thereby giving positive impetus to travel and hospitality sector. In the same budget 50 destinations have been identified and given infrastructure status.



3.0

Emergence of Vacation Rental in the Wider Tourism Landscape

India's mainstay hotel industry grows at a steady space to match rise in demand. As per the research done by SKYE Hospitality, 4830 keys entered India across the premium and upscale segment in 2024.

This included a total of 41 new projects. Most of the major brands including IHCL, ROHL, Wyndham, Oberoi, Accor, Leela, Marriott opened new projects.

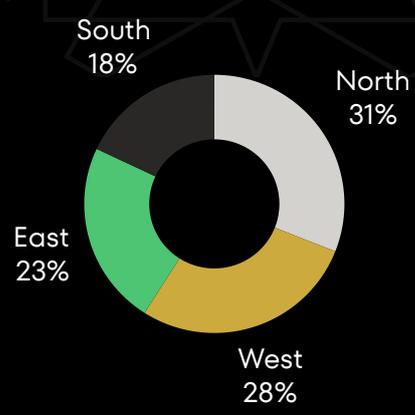
Despite multiple new projects opening throughout the length and breadth of India, 2024 has been marked by rise of the alternate hospitality space as well. Numerous alternate hospitality projects including private villas, farm houses, plantation cottages, vintage bungalows, forest eco lodges are witnessing tremendous spurt in demand.

The vacation rental has existed in India for quite some time. However, it was the pandemic period that gave a massive boost to the segment, helping it emerge as an alternate space in India's evolving hospitality ecosystem. In a time when visitors were wary of signature mainstay hospitality, private villas with bespoke services came into prominence. These comfy spaces offered exclusive, bespoke and immersive experiences, which were in pressing demand.

Even after suspension of lockdown, the vacation rental market is growing at a scorching pace. These projects are proliferating not just in scenic destinations but also across urban peripheries and sometimes within the city limits. There are many factors that are driving the uptrend, which will be discussed in details in the subsequent section.

Region wise break-up of new hotel supplies in 2024

Source: SKYE Hospitality Analysis

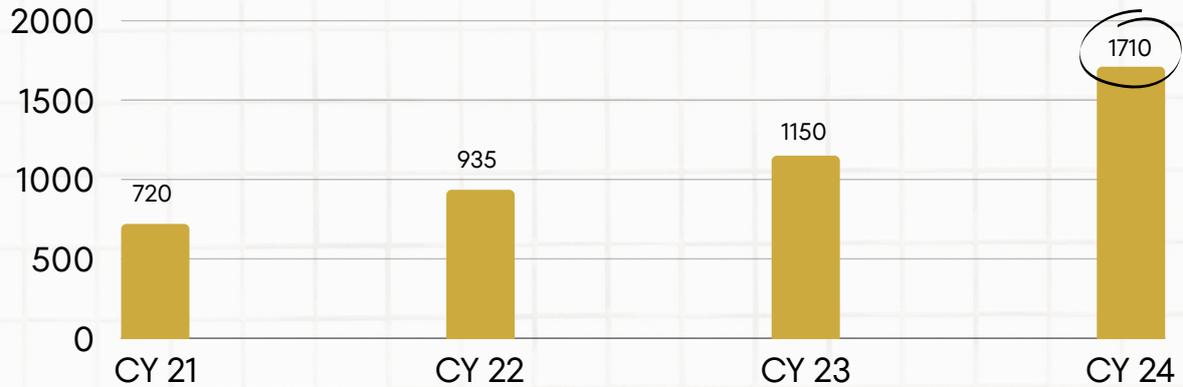


4.0

Size of Vacation Rental Market in India

Growth of Branded Rental Villa Market in India (21- 24)

Source: Axon Analysis, SKYE Hospitality Analysis



- In 2024, 550+ new branded homestays/villas entered the market in India, taking aggregate volume of branded villas to over 1,700.



- In the past 12 months, number of branded villas registered a 48.7% rise.

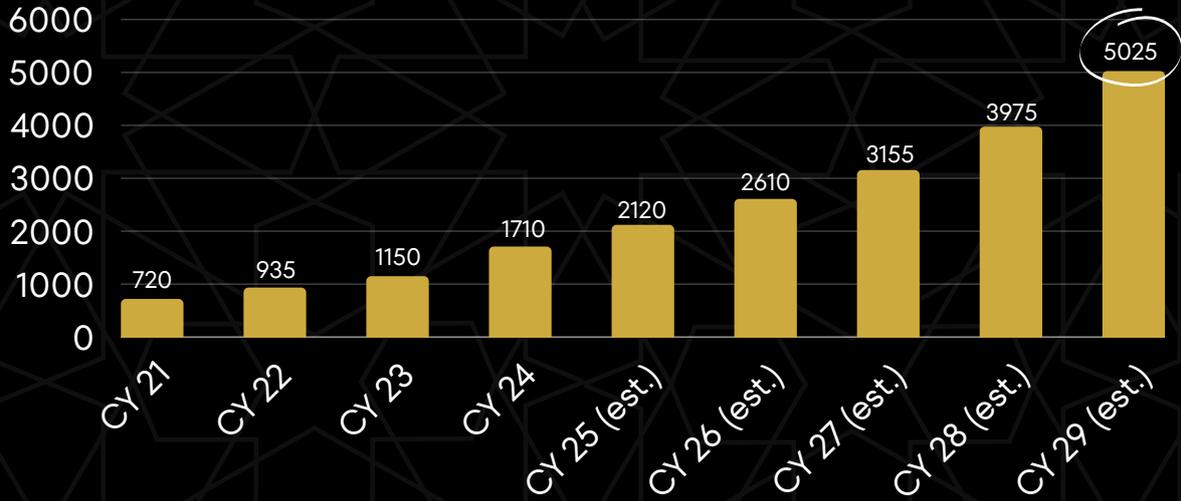


- In next 5 years, the number of branded rental villas are slated to cross 5,000 units growing at a CAGR of 24%.



Projected growth of branded rental villa market

Source: Axon Analysis, SKYE Hospitality Analysis

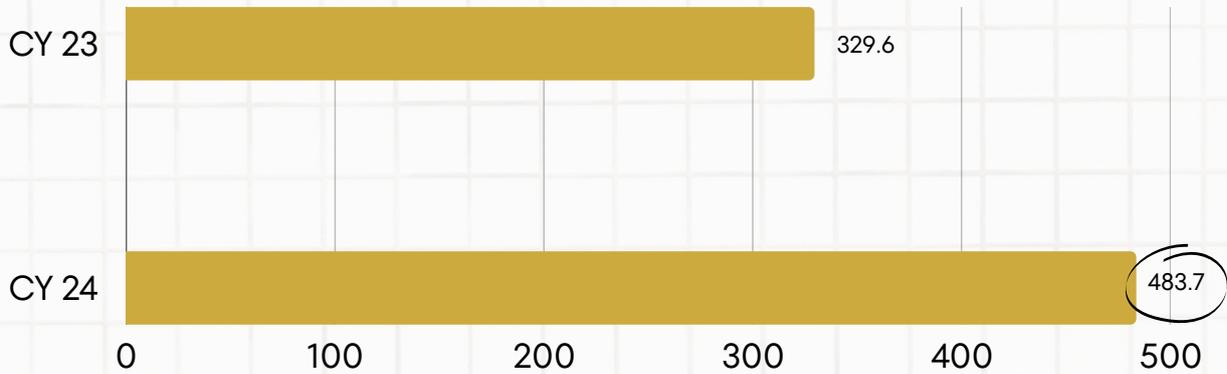


- The total size of the branded rental villa market in India is around USD 483.7 million in 2024, jumping by 46.8% in the past 12 months.



Jump in Branded Rental Villa Market in 12 Months (USD million)

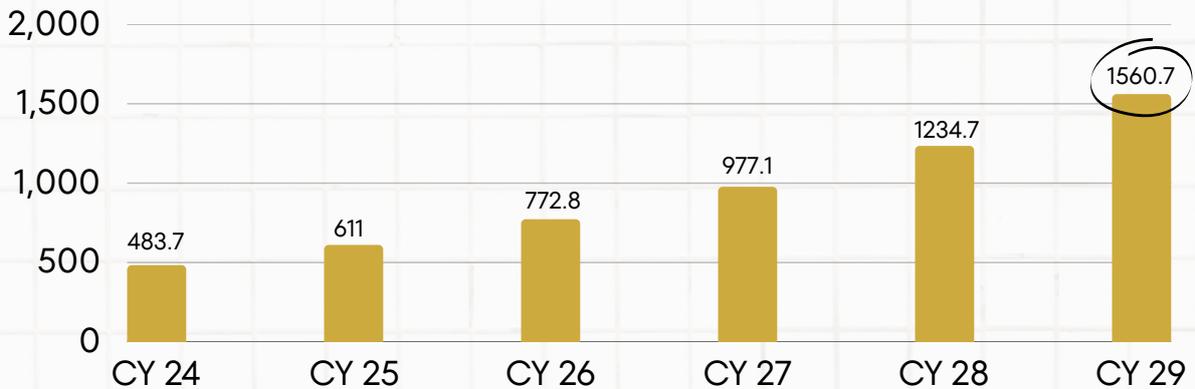
Source: Axon Analysis, SKYE Hospitality Analysis



- In next 5 years, the overall market is slated to grow at a CAGR of around 26.4% amounting to USD 1560.7 million.

Branded Rental Villa Projected Market Revenue (USD million)

Source: Axon Analysis, SKYE Hospitality Analysis



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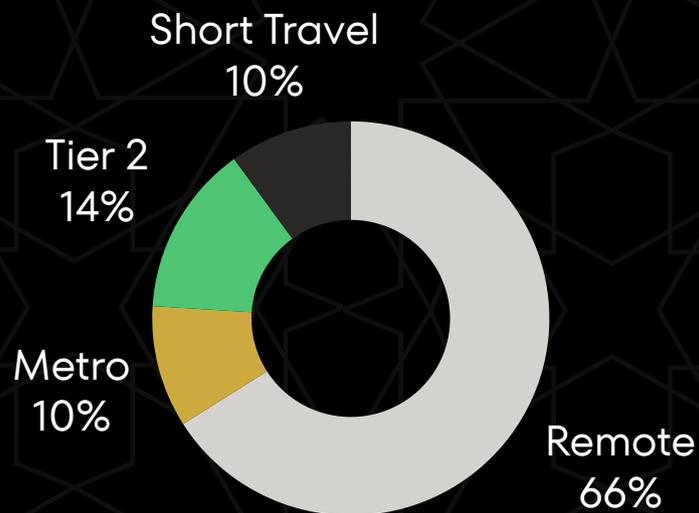
- In terms of the concentration of properties, 66% of the villas are situated in tranquil remote locations. In recent years, vacation rental is becoming very popular across Himalayan hill stations, Goa, Sindhudurg, Niligiri mountains, Coorg, Sahyadri ranges, Darjeeling, etc.



- Around 14% of properties are situated in Tier 2 cities. It is noteworthy that rental villas and branded homestays are also becoming popular in host of small cities such as Varanasi, Ayodhya, Agra, Mysore, Jaipur, Vizag, etc.

Break-up of Branded Rental Villa (CY 24)

Source: Axon Analysis, SKYE Hospitality Analysis



10



5.0

Key News & Insights on India's Vacation Rental Markets



- IHCL Ama Stays has added 33 new properties with cumulative property reaching 250 in January, 2025. 40% of the properties are located in Maharashtra, Kerala and Goa.



- ITC has introduced its brand "Storii" to offer boutique properties with bespoke services in 2022.



- In 2024, under the flagship of Storii, ITC opened three new properties in Goa, Himachal Pradesh and UP respectively.



- Airbnb has registered a 30% rise in business in 2024 compared to the previous year. The growth has been backed by rise in weekend travels, demand for iconic stays near national parks and jump in experiential travel.



- The Gen Z registered almost 100% rise in bookings while Millennial showcased 30% rise. Goa was the top performing markets followed by metro such as Delhi NCR, MMR, Bangalore.





- Saffron stays as per the latest media report has crossed a revenue of Inr 100 crores (USD 12 million) with a cumulative room of around 1250 under its management.



- Stay Vista, one of the leading players in the branded villa chains has turned EBITA positive in FY 25 with a gross profit of Inr 1 crores.



- Stay Vista manages around 1000 properties with a cumulative room of over 4,000. The brand is planning to take 2,500 villas by 2028.



6.0

Growth Drivers of vacation rental market in India



- Strong macroeconomic factors such as increase in disposable income, GDP expenditure on infra development and a healthy job market are naturally translating into a hike in demand for tourism & travel, which is naturally pushing ahead the vacation rental as well.



- India has limited supply of hotels rooms despite a substantive growth in tourism in recent years. The total premium & upscale rooms are pegged at ~ 180,000. This requires the alternative tourism space to step up and fill the gaps.



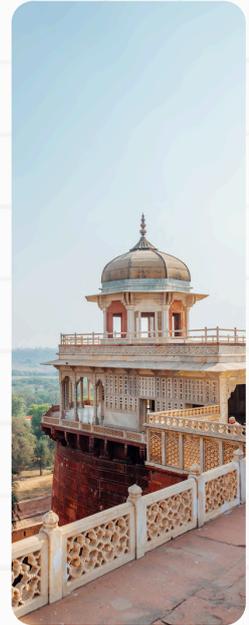
- In the recent budget, GOI has offered lucrative policy, with virtually no income tax on an income up to INR 12 lacs. This also means higher available funds for tours and travels in Indian households.



- The nature of tourism is transforming as many travellers now prefer experiencing places in a more authentic, customized and localized manner.



- Similarly, many tourists are now keen to explore the indigenous heritages, indulge in local food delight and interact with native communities.





- For such experiences, conventional hotels & resorts with standard services and facilities might not be apt. Curated stays in villas or farmhouses will be a more preferred choice.



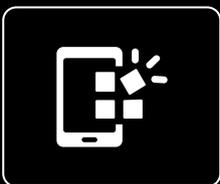
- In past few years, there has been spurt in demand for stays in offbeat trails. As popular destinations are becoming crowded, many travellers now prefer tranquil and relatively less explored destination to relax and restore their batteries.



- Improved connectivity, influencer culture and demand for more authentic travel has brought spotlight on such destinations. Many such places however don't have a well-established mainstay hotel infrastructure, which naturally drives demand for rental villas.

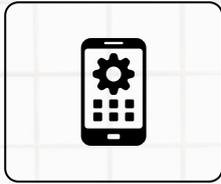


- The significant rise in influencer & vloggers have also helped in the trending of various offbeat locations. Through social media one can know and learn a lot about such destinations, when to visit them and what to do there.



- India's OTA market is growing at sweeping pace, with platforms like Make my Trip, Yatra, Goibibo, Clear Trip deepening its foothold across the travel value chain including vacation rental markets.





- Thanks to OTAs, it is now very easy to learn about various vacation rental markets, compare them and make a booking online.



- Vacation rental markets offer versatility in terms of choice of properties such as villas, farmhouses, beach & lake front houses, plantation bungalows, service apartments, forest lodges, etc. Such a diversity is absent in mainstay hotels with standardised set-ups.



- Due to rise in remote working, workcation and staycations, the demand for vacation rental spaces are going northwards.



- Many professionals are leasing spaces for 1 or 2 months or even 6 months to operate remotely, thereby giving a positive fillip to the short rental market.



7.0

The Rise of Online Travel Agency (OTA)

In the past few years, we have seen a rise of Online Travel Agencies (OTA) such as Make My Trip, Yatra, Clear Trip, Expedia, expanding its wing and becoming a critical cog in the overall travel & tourism ecosystem. The size of the OTA market in India is around USD 16.5 billion, growing at a CAGR of around 13-15%, as per numerous media reports. While, OTAs are active throughout the value chain including accommodation, air travel, railways, etc. two-third of the market is concentrated around accommodation.

OTA is playing an important role in the growth and evolution of the short rental market, as it is a crucial link between property owners and tourists. Tourists can view various properties, compare prices and make the bookings. Meanwhile owners can list their properties with such platforms and reach out to larger target audience without incurring higher cost of marketing.

OTAs are also collaborating with various tourism agencies such as ministry of tourism, state tourism agencies, ITDC to create bespoke marketing campaigns, especially for off trail and upcoming locations.

OTAs have access to huge data & insights on tourism search volumes, booking, popularity of destination and customer demographics. They share this data and information with governing agencies to identify key customer trends, actionable insights and deep analysis. This can refurbish tremendous inputs to the government agencies to understand the gaps in the market and accordingly improve their policies. This is embarking on an all together new approach towards data driven tourism.



Villa Management Companies



OTA



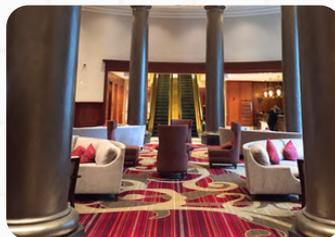
Hospitality Chains



Developers



Govt Agencies & Programs



7.0

SWOT Analysis of Vacation Rental Market in India

Strengths

- Distinct options, personalized services and local approach is becoming a key growth enabler.
- In many instances, vacation rentals can offer cheaper and more spacious stay options than local hotels & resorts (not always true).
- Major hospitality players such as ITC & IHCL are entering the homestay segment.
- India's limited hotel room supply will fuel demand for alternative hospitality.

Weaknesses

- Despite so much talks in the media, vacation rental requires ample hands-on experiences.
- Poor hosts can result in customer dissatisfaction undermining future business.
- Vacation rental as a whole, lacks robust standards for quality control.
- The average occupancy of rental villas are low (~ 35%) compared to mainstay hotels.

Opportunities

- Plenty of option for short rental market in steady tourist markets of Konkan , Goa, Himalayan Trails, Darjeeling, Nilgiris, etc.
- Plenty of opportunity to cater to the growing remote workers, staycation and digital nomad workforce.
- India has adopted a flexible visa and work permit policies that is attracting digital nomads and expats.
- By onboarding professional rental management companies, one can easily buy a property and outsource it.
- During weekend, average occupancy can jump up to ~ 80%.

Threats

- Professional property management companies can charge a lot
- Higher chances of poor reviews and backlash in social media
- Stiff competition from mainstay hotels & resorts
- Each state has its own vacation rental regulation and compliances.

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Source

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Thank You

